

**Minuwangoda Pradeshiya Sabha**

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**Gampaha District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Secretary on 27 September 2018.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Minuwangoda Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

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The following accounting deficiencies were observed.

- (a) The interest on fixed deposits which had not been brought to account during the previous year had been brought to account during the year under review. While doing so, the interest on fixed deposits account had been credited instead of the accumulated fund resulting in an overstatement of revenue of the year by Rs.760,278.
- (b) Adjustments had not been made in the accounts for the interest due for the year under review on fixed deposits of Rs.30,000,000 invested on 17 August 2017.
- (c) Bills for licence fees of the year under review amounting to Rs.1,785,969 had been brought to account as Rs.1,616,732 resulting in an understatement of the said revenue by Rs.169,237.
- (d) The commission granted during the recovery of rates during the year amounting to Rs.1,216,681 had been brought to account as Rs.1,374,112. As a result, the commission granted had been overstated by Rs.157,431.

**1.3.2 Unreconciled Accounts**

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- (a) The difference of 09 items of accounts as at 31 December 2017 and the related balances as per subsidiary registers as at that date varied by Rs.8,722,455.

- (b) The balances of deposits earning revenue as at 31 December 2017 showed various amounts, such as Rs.30,263,684 as per accounts, Rs.16,929,558 as per ledger and Rs.12,523,243 as per subsidiary registers.

### 1.3.3 Lack of Necessary Documentary Evidence for Audit

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#### Non-rendition of Information for Audit

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Two items of accounts totalling Rs.1,144,079 could not be satisfactorily verified in audit due to non rendition of confirmation of balances

### 1.3.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Section 17(b) of Part IV(a) of the (Approved bye-laws) No.06 of 1952	-	The sub division of Marapola Annasiwaththa land had been approved in 2014. However, the last block of land had been sold on 13 October 2017. As such, the validity period of sub division had not been extended.
(b) Financial Regulation 395 of the Democratic Socialist Republic of Sri Lanka.	-	Separate bank reconciliations had not been prepared for 02 current accounts of the bank.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.21,288,135 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,234,067.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	22,161	19,805	19,734	8,734	20,223	18,964	20,553	8,990
Rent	2,581	1,984	1,817	171	1,770	2,457	2,552	04
Licence Fees	1,601	1,617	1,744	(127)	2,610	1,922	1,922	-
Other Revenue	9,509	534	480	104	8,125	388	528	49

### **2.2.2 Performance in Collection of Revenue**

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- (a) The recoveries out of the arrears of rates at commencement of the year amounted to Rs.4,101,124 only.
- (b) The arrears of rent as at end of the previous year amounting to Rs.4,300 had increased up to Rs.171,292 as at end of the year.
- (c) The actual arrears of licence fees of Rs.42,000 as at end of the year under review had been shown in the accounts as a negative balance of Rs.127,000.

### **2.2.3 Rates and Taxes**

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- (a) The last assessment had been made at the Mabodala and Udugampola sub offices in the year 2009.
- (b) The arrears relating to previous years as at 31 December 2017 amounted to Rs.6,893,689. These included dues from 1964 units of the Udugampola sub office amounting to Rs.1,795,332 and 2736 units of the Minuwangoda sub office amounting to Rs.2,334,001.

### **2.2.4 Court Fines and Stamp Fees**

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- (a) The Provincial Commissioner of Revenue had remitted the court fines of Rs.1,880,478 due to the Pradeshiya Sabha for the period 2008 to 2013 to the Aththanagalla Pradeshiya Sabha. Although the Public Accounts Committee which met on 17 August 2017 directed to recover the money from the Aththanagalla Pradeshiya Sabha, action had not been taken accordingly up to now.
- (b) The court fines relating to cases filed within the Minuwangoda Pradeshiya Sabha area from 2014 to 2017 had not been recovered.

## **3. Operating Review**

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### **3.1 Performance**

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The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act. such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

#### **(a) Delays in execution of tasks**

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An estimate for Rs.199,777 had been prepared under the establishment of a Front office and office equipment had been purchased by 02 November 2017. But, the said Front office had not been constructed even by 15 May 2018.

**(b) Non achievement of the expected outcome**  
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- (i) Although a resource centre with 03 store rooms had been constructed by spending Rs.2,423,794 to store compost made at the compost sector and polythene baled, the resource centre had not been utilized even by 14 March 2018.
- (ii) Although it had been planned to construct a local restaurant by spending Rs.545,500 near the Minmedura at Udugampola to sell carbonic vegetable, fruits and food prepared by using local materials through the Siyane Swasakthi programme and to commence the restaurant in October 2017, this project was not at the implementation stage even by April 2018.

**(c) Solid Waste Material Management**  
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- (i) A very spacious compost sector had been constructed at Mabodala Gona Madewaththa area with the objective of producing compost by using the degradable garbage collected in the area. But, compost producing activities had not been executed in the compost sector even by 14 March 2018.
- (ii) Although it had been reported that the progress relating to segregation and recycling of garbage at the compost sector was 99 per cent and the progress in maintenance of the resource centre was 98 per cent, it was observed that compost had not been produced at the compost sector. Action had not been taken to make use of the resource centre although the work had been completed.

**(d) Sustainable Development Target**  
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Although the Sabha was aware of the 2030 Agenda of the United Nations Organization relating to the sustainable development objectives, the matters needed for supervising the functions to achieve the target had not been identified.

**3.2 Management Inefficiencies**  
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- (a) The average balance in 2 current accounts of the bank during the year under review amounted to Rs.67,956,145. The development programme that could be implemented for the public of the area was at a low level as a result of retaining this amount.
- (b) A responsible person had not been appointed to collect cash by issuing tickets for vehicles parked at the Udu gampola Minmedura car park belonging to the Sabha. Instead, the work had been entrusted to a field labourer cleaning the Minmedura and its surroundings. He attends to cleaning the Minmedura and its surroundings in the morning

and as such tickets had not been issued during that time. As such, the Sabha had not properly received the revenue due to it.

### **3.3 Operating Inefficiencies**

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While granting approval for sale of land by sub dividing it, the Sabha had not referred to conditions to renovate the interior roads and as such the Sabha had to incur an extensive expenditure on renovating roads acquired by the Sabha on behalf of land auctioned. The Sabha had incurred an expenditure of Rs.3,954,490 during the year under review to concrete 07 roads of land acquired during auction.

### **3.4 Assets Management**

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#### **3.4.1 Assets not Acquired**

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An expenditure of Rs.985,280 had been incurred by the Sabha on concreting the roads of 04 lands auctioned before the Sabha acquired them.

#### **3.4.2 Safety of Assets not Ensured**

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It was revealed that encroachments had occurred in the common land at Nilpanagoda vested with the Sabha during auctioneering. Action had not been taken even by 14 March 2018 to drive away these persons in terms of provisions in the Pradeshiya Sabha Act of 1987. Title deeds of these common land had not been furnished to audit.

### **3.5 Procurement**

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#### **3.5.1 Contract Administration**

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- (a) Weggowa Farmers' Association had been entrusted with the work relating to laying of block stones at the cross road (First Stage) leading from the vicinity of Weggowa Nagaha to Veyangoda (Sumithra Mawatha) at Rs.998,468 on 13 November 2014 with the expectation of completing the work in 03 months. The certificate of standard for stones had been received on 15 November 2015. Although the agreed period had lapsed, extension of time had not been obtained. There was no evidence to show that the work had been supervised. The farmers' association had requested the payment of Rs.996,416 on 17 February 2017.
- (b) The contract for the first stage of construction of the Udugampola Week end Fair had been extended to 15 July 2015 and the second stage of the work had been extended to 15 July 2016. However, the period of performance bond had not been extended. The first stage of the work had been delayed for 04 months and the second stage of the work had been delayed for 03 months and as such demurrages amounting to Rs.3,247,080 made up

of Rs.155,247 per week for the first stage and Rs.63,594 per week for the second stage had not been recovered in terms of Section 4 of the agreement.

- (c) Estimates for the first and second stages of construction of the Paththaduwana sub office and the library building had been prepared on 18 July 2016 under the Capital Programme of upliftment of local authorities at the rate of Rs.4,620,000 for the first stage and Rs.5,000,000 (including VAT) for the second stage. The following observations are made in this connection.
- (i) Although work items 1 to 24 had been shown as first stage and work items 25 to 42 had been shown as second stage, bill of quantities had been prepared for the first stage only. Although separate agreements had been entered into for the first and second stages, only one estimate had been referred to in the newspaper advertisements. According to the procurement procedure 7.9.1 (b), the evaluation of bids should be in alliance with the method mentioned in the register calling for bids. However, contrary to this, the evaluation committee had treated both estimates as a single unit and had made decisions for entering into the agreement.
  - (ii) The value of the first stage of the estimate was Rs.4,013,550 (Excluding VAT). The lowest tender amounted Rs.5,181,995. The technical evaluation committee had awarded the tender to the lowest tenderer treating both estimates as a single unit stating that the entire tender was less by 0.51 per cent. The lowest tenderer's first stage of work had exceeded the estimated value by Rs.1,168,445. The tender had been awarded to the contractor stating that it was the lowest tender instead of instigating the tenderer to accept it at the estimated value. As such, the Sabha had incurred a loss of Rs.1,168,445. There was extensive price variations between the estimated value and the value appearing in the agreement which had been ignored by the evaluation committee and the tender board. The last work items of 21, 23 and 24 of the first stage had not been completed and a sum of Rs.4,002,155 had been paid on 09 March 2017 without recommendations for completion of work.
  - (iii) The estimate for the second stage amounted to Rs.4,294,116. The tender of the contractor to whom the contract had been awarded amounted to Rs.3,083,540. According to 7:9:11 of the Procurement Procedure, the evaluation committee should inquire into rates which are not feasible and of low values. There was no such evidence in the file that it had been done so and the amount was less by 28.1 per cent amounting to Rs.1,210,576.
  - (iv) The second stage had been completed on 27 February 2017. Request for payments had been made treating the payments for first and second stages as a whole. Accordingly, the work had been completed at the second stage including the work items 21, 23, 24 of the first stage. However, demurrages had not been computed and recovered accordingly.

- (d) An agreement had been entered into with the above contractor for Rs.7,934,169 on 12 July 2017 who had furnished the lowest tender for the final stage (Stage 111) of construction of the Paththanduwana sub office and the library building with the expectation of completing the work in 03 months. A further period of extension of 04 months which was more than the original period of contract had been granted by the Secretary on a recommendation made by the Superintendent of Works on a request made by the contractor on 09 October 2017. Accordingly, the work should have been completed by 15 February 2018 whereas an on the spot inspection carried out on 15 March 2018 revealed 53 out of 72 items of works mentioned in the agreement had not been executed.

#### 4. **Systems and Controls**

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Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

<b>System</b>	<b>Deficiency</b>
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(a) Revenue Administration	Action not being taken to recover revenue due from arrears of rates.
(b) Accounting	Existence of variations between the balances of accounts and the balances of schedules.
(c) Execution of Projects	Non implementation of provisions in the procurement procedures and non-recovery of demurrages.
(e) Assets Control	Ownership of assets of the Sabha not being confirmed and register of assets not being updated.